



Council for a Competitive Economy

410 First Street, S.E. • Washington, D.C. 20003 • (802) 544-3786

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OCT 13 1981

Dear Congressman:

The Council for a Competitive Economy supports passage of the TOBACCO DEREGULATION AMENDMENT which will be offered during debate on the 1981 Farm Bill scheduled to come to the House floor in October.

The current government tobacco program restricts the number of acres which can be planted in tobacco and also provides for a price support scheme, using tax dollars to buy up any tobacco not sold in commercial markets.


The restrictions on production, through an allocation system, create very inflated monopoly rents. While a free acre of land for corn or soybean may cost the farmers on the average \$60, the rent for a tobacco allotment acre is about \$1,000! With 1 million acres of tobacco in production, the excess cost to the industry of this government franchise is about \$900 million a year.

The loan price support system is also wreaking havoc with the tobacco industry. The current price support level is about twice as high as the world market. Because of this government intervention, \$1 billion of tobacco surpluses, financed by tax dollars, is accumulating in warehouses. Recently, tobacco groups called for imposition of a quota on the rapidly increasing quantity of less expensive imported tobacco. The ITC eventually recommended no quota be imposed.

All of these problems now being experienced by the tobacco industry could be resolved by a free market, as the amendment would provide for. The cost of production would be cut by one-third, exports would increase and imports would decrease. The government would no longer have to finance large surpluses and a savings of about \$100 million would result.

The Council urges your support for the TOBACCO DEREGULATION AMENDMENT.

Sincerely,



Richard W. Wilcke
President

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